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12 May 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. French Government reluctant to support UN position on war prisoners: The French press has given little prominence to the government's approval of General Ridgway's statement on the Korean armistice negotiations. The press has seemed defensive in its efforts to make clear that the French Government had been consulted in advance.

A French Foreign Office official explained, when questioned by the American Ambassador, that it had not been considered desirable or appropriate to make a formal ministerial statement because the National Assembly was not in session. (C Paris 6912, 8 May 52)

Comment: The French have expected greater United States support in Indochina and a possible "internationalizing" of the conflict there should the Korean armistice be signed.

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FAR EAST

2. Japanese labor showing increased leftist tendencies:
The "spring offensive" of organized labor in Japan has been associated with a marked increase in left-wing domination of labor leadership, according to the American Embassy in Tokyo. The deposition of moderate Takeo Muto as chairman of the Coal Miners Federation, and his subsequent resignation as chairman of the General Council of Japanese Trade Unions (SOHYO) has passed direction of Japan's most comprehensive labor federation to extreme leftist Minoru Takano.

The Embassy comments that this development increases the possibility of further general strikes patterned after the April walk-outs. (S Tokyo 95 Weeka, 9 May 52)

Comment: Takano, a former Communist, has been instrumental in labor's support of left-wing socialist policy, much of which parallels the Communist anti-US "peace" program. There is some evidence that Muto's deposition was engineered by Communist elements, who undoubtedly regard Takano's ascendancy as facilitating their attempts to regain influence in the labor movement. SOHYO claims a membership of about 3,000,000, more than half of Japan's organized labor.

3. Japanese observers believe Emperor will not abdicate:
The Emperor's Constitution Day statement indicates that he has no present intention of abdicating despite intermittent rumors to that effect, according to Japanese observers. The US Embassy in Tokyo also notes that the ceremonies connected with the presentation of credentials by foreign diplomats, which emphasized the Emperor's role as "symbol of the state," reflect an effort to restore the prestige of the imperial institution. (S Tokyo Weeka 95, 9 May 52)

Comment: Opposition to the Emperor has stemmed primarily from the Communists, leftist students and the intelligentsia who advocate abolition of the imperial institution, as well as from minority right-wing elements who think the emperor system would be strengthened by Hirohito's abdication in favor of the Crown Prince. The vast majority of the Japanese people continue to support the present emperor, however, and current trends indicate he will be restored at least partially to his traditional role.

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4. Biological warfare propaganda to continue: A report in the Chinese Communist People's Daily of 6 May that the World Peace Council is organizing an international committee to investigate biological warfare suggests that this propaganda campaign will continue. (S Hong Kong 3024, 9 May 52)

Comment: Although the campaign has declined in intensity, there are several indications that it will continue.

5. Chinese Communists dismiss high officials: The Central People's Government of China announced on 6 May the removal of 14 officials including a deputy director of the Ministry of Public Security, the Director of Public Security in East China, the two ranking officers of the Department of North China Affairs, eight governors or deputy governors of provinces, and the mayors of Tientsin and Anshan. (R FBIS [redacted] 9 May 52)

25X1A

Comment: Although certain of the removed officials may be reassigned to important posts, the pattern of removals suggests that Peiping is dissatisfied with the work of its governing apparatus in several regions and provinces, particularly in the North China area. These dismissals appear to be connected with a purge of the party, government and secret police which has been in process for several months.

6. Hong Kong Communist news agency given two weeks to register: The official Chinese Communist news agency in Hong Kong informed the British authorities, one day before the deadline for its registration under a publications ordinance, that it was willing to register as a "state agency" but not under the ordinance governing "ordinary" publications.

The British replied that the agency was recognized as a state agency but that, as no special ordinance existed for such agencies, it was expected to register under the existing ordinance and would be given two more weeks to do so. (S Hong Kong 3024, 9 May 52)

Comment: This apparently insignificant issue is in fact an important test-case in Sino-British relations.

The Hong Kong Government, partly in an effort to force the Peiping regime to recognize British authority in the Colony, informed the Communist news agency in early April that it must register within a month or cease operations.

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The current strain between the Peiping and Hong Kong authorities is reflected in a 10 May statement by Peiping's Ministry of Foreign Affairs protesting "persecution" of Chinese and the recent suspension of the pro-Communist Ta Kung Pao.

7. Carson Chang's "third force" activities in Hong Kong reported: Carson Chang, leader of the Democratic Socialist Party, is drafting a political platform for a "new Chinese government" for which he hopes to get American recognition and support.

The platform will call for a "democratic" government demanding the overthrow of both the Communist and Nationalist regimes.

Chang conferred with ex-Nationalist leaders in Hong Kong in April and with contacts in Japan early in May.

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Comment: Carson Chang, who arrived in the United States a week ago, is expected to try to impress American officials with his and his friends' capabilities for leading a "third force" in China.

There is no cohesive group of ex-Nationalist figures of sufficient stature to qualify as a "third force."

8. Rumors of French intention to negotiate settlement of Indochina war continue:

[redacted] the French are arranging for Nehru to negotiate with Ho Chi Minh while the British Commissioner General in Southeast Asia, Sir Malcolm MacDonald, negotiates with Peiping--presumably for the settlement of the Indochina war.

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Meanwhile [redacted] reports that the representative of a Communist firm in Paris stated in late April that at the request of French authorities he will, while en route to China, stop in Saigon to discuss with Ho Chi Minh the possibilities for ending the war.

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Comment: A recent report from Thailand claimed that Nehru's sister, Mme. Pandit, was carrying proposals for the settlement of the Indochina war to Peiping. These reports

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from various quarters are wholly lacking in confirmation. It is noteworthy, however, that they continue to circulate among anti-Communist Vietnamese upon whom they have a debilitating effect.

The Vietnamese premier, in charging that French Minister Letourneau was seeking his dismissal, has told the American Minister in Saigon that he would produce documentary proof of Letourneau's intention to settle with the Viet Minh. The American Legation has previously seen forged documents purporting to prove this intent on the part of the French.

9. Lately inactive Viet Minh division reportedly not ready for combat: Owing to heavy losses, the Viet Minh 308th Division is not yet ready for combat [REDACTED]

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[REDACTED] It is currently filling up ranks and training recruits.

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25X1C

Comment: The 308th and the 312th Divisions have been inactive since the French withdrawal from Hoa Binh in February and reportedly are located just northwest of the delta. It has been presumed that they would carry the brunt of any offensive the Viet Minh might launch before the rains in June.

10. Chinese advisers seen south of the Tonkin delta: A Vietnamese schoolteacher who recently returned after living five years in the Viet Minh zone has told the American Consul in Hanoi that he occasionally saw Chinese Communist lieutenants and captains in the Thanh Hoa area, south of the Tonkin delta. He added that these officers were commonly understood to fulfill strictly advisory functions, and that he never heard that Chinese combat troops were in the country. (R Hanoi Desp No 34, 25 Mar 52)

Comment: It has been firmly believed for some time that Chinese advisers, now estimated to number 10,000, have been with the Viet Minh forces, although none has ever been seen by a completely reliable source. The authentic nature of the source's statements on other experiences under the Viet Minh regime lends unusual credibility to this eye-witness report.

11. Singapore government suggests London pressure US to resume rubber buying: The Singapore government on 5 May asked London to consider putting pressure on the United States to

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resume natural rubber purchases for stockpiling. The request cites fears of officials and traders that a continued falling market would bring widespread labor unrest, already showing itself, and handicap the anti-guerrilla campaign in the Federation.

The American Consul General comments that although the long-term outlook for rubber is good, a continued slump now would "almost certainly produce adverse political consequences." He believes that if the current price fall is not reversed fairly soon, a special American effort would be justified to try to keep the Malayan price above the "danger point," estimated at between 31 and 33 cents. (C Singapore 1224, 6 May 52)

Comment: Top grades on the Malayan market as of 10 May were selling at about 28.5 cents a pound, and demand reportedly continues weak.

The view that American policy is responsible for what is presently regarded in the trade as a short-term recession is widely held in Britain. A London Times editorial on 8 May stated that previous compulsory use of synthetic rubber in America "irretrievably" weaned American manufacturers away from natural rubber.

12. Indonesian Defense Minister plans to lift emergency military regulations: The Sultan of Djogjakarta, the Indonesian Defense Minister, plans to lift military controls invoked under the State of War and Siege law, a former Dutch emergency ordinance. He also plans to employ five police companies in a full scale operation against the Darul Islam early in June.

25X1A. [REDACTED]

Comment: An Information Ministry broadcast of 3 May stated that in areas where security has been restored, the state of war and siege will gradually be lifted. Although no specific plans have been announced, current conditions would warrant the removal of restrictions only in Sumatra and possibly in the Lesser Sundas.

The Darul Islam, a militant Moslem organization, presents the government with a chronic security problem in West and Central Java.

13. Indonesian Government cautiously reaffirms independent foreign policy: The foreign policy section of the government's

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9 May statement to Parliament piously reaffirmed Indonesia's independent policy, but gave no firm indication of the cabinet's intentions on any specific issue. The statement made no mention of relations with the Soviet bloc and was indefinite on MSA, the Japanese peace treaty, and relations with the Netherlands.

American Ambassador Cochran comments that although the statement may not offend anyone, it is difficult to imagine whom it will satisfy. He regards it as reassuring in indicating that the government will not "launch out on a dangerous new path," but as failing to give assurance as to the ability of the government to cope with its critics or problems. (R Djakarta 1631, 9 May 52)

SOUTH ASIA

14. Ceylon opens credit for Soviet rubber deal: The Foreign Department of the Bank of Ceylon states that a credit of 200,000 pounds sterling has been opened in favor of R. Wanigatunga and Co., for shipment in June of Ceylonese rubber to the USSR via Rotterdam. Wanigatunga recently returned from the Moscow Economic Conference through Hong Kong. The American Embassy in Colombo believes this credit is the first installment of an anticipated one million pound sterling Russian credit. (C Colombo 617, 8 May 52)

Comment: This deal is in a more advanced stage than any which appears to have resulted from the Moscow Economic Conference. It is the first Soviet purchase of Ceylonese rubber since 1946 when 3,000 tons were bought. The transaction further emphasizes the official Ceylon policy of selling to all comers.

NEAR EAST - AFRICA

15. Iranian Parliament rejects credentials of opposition and government leaders: In a stormy session on 8 May, the Majlis refused to seat 22 of the 70 deputies who have been elected. Those whose credentials were rejected include several of the most important leaders of the conservative opposition. The conservatives, however, succeeded in obtaining rejection of ten of the twelve Tehran deputies, all of whom are members of the National Front, and they are making a determined effort to

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have the Tehran elections annulled altogether. [REDACTED]

R Tehran 4337, 9 May 52)

Comment: Conservative success in obtaining rejection of the Tehran deputies represents a considerable set-back for the Prime Minister, who reportedly hoped to purge the opposition from the Majlis. Confirmation of the rejections, which are now being reviewed by a Parliamentary board, would further postpone full convocation of the Majlis. Rejection of the Tehran deputies would permit some Communist-sponsored deputies to be seated unless the Tehran elections are annulled.

16.

Egyptian Interior Minister criticizes Hilali: The Egyptian Minister of Interior, Maraghi Bey, who wishes to become Prime Minister Hilali's successor, is critical of Hilali's legalistic mentality, his lack of forceful leadership and his failure to win popular support.

Maraghi Bey says that he is ready to take over if Anglo-Egyptian talks break down, and states that he plans to ask the United States to become an equal ally in the defense of the Suez Canal and to help Egypt rebuild its army. This is to be done through the United Nations and with limited British participation. Maraghi also plans to open direct negotiations with the leader of the anti-Egyptian Umma Party in the Sudan; he believes that the British cannot prevent his doing so.

25X1A

Comment: Maraghi's plan, which would undoubtedly be strongly opposed by Britain, is in line with the frequently expressed Egyptian opinion that the United States should actively help settle the Anglo-Egyptian dispute. His plan to negotiate with the Sudanese will meet with firm opposition from British officials in the Sudan.

Maraghi, who also holds the key portfolios of War and Marine, has recently placed his own appointees in almost all the top positions of the Interior Ministry, which is responsible for maintaining order throughout Egypt.

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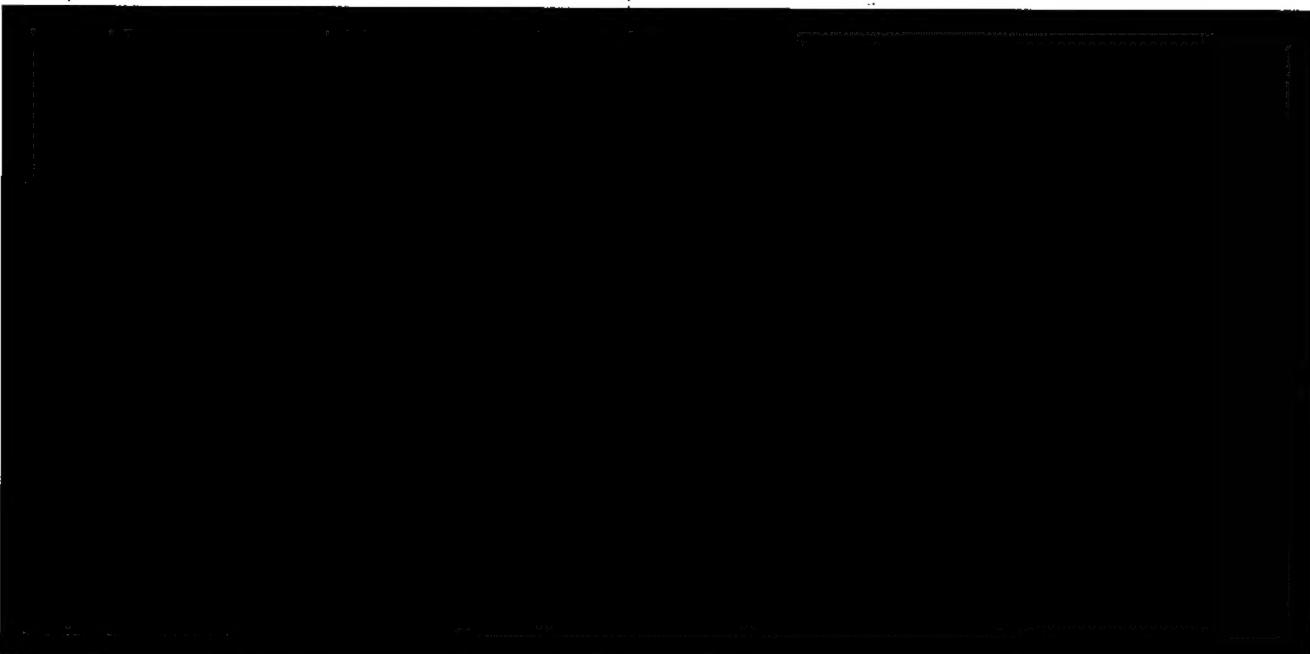
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WESTERN EUROPE

17. Indications seen that East Germans are tightening security: American representatives in Berlin believe that the 8 May East German press announcement of the conviction of fifteen persons as foreign saboteurs is more likely to be a preparation for increased internal and external security measures rather than a true reflection of sabotage in East Germany. They feel this belief is supported by other East German press releases on Western "military provocations" on the interzonal border and on the "dangerous" smuggling of East German goods into West Berlin.

The suggested East German security measures may be related to recent threats by Grotewohl and Pieck to "organize the armed defense of the homeland" if Bonn goes ahead with its program of Western integration. (S Berlin 1324, 9 May 52)

Comment: Suggestive that new security measures are being prepared in East Germany is the unexplained detention of American and British military patrol vehicles on the Berlin-Helmstedt autobahn starting on the evening of 8 May.



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19. French Government sues Communist papers protesting Ridgway's arrival: The French Government intends to deal firmly

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with Communist attacks against General Ridgway's arrival in France by bringing suit against the Communist newspapers which have published an appeal for protest action.

Although this step is not likely to deter the Communists from continuing with preparations for protest, it may have an inhibiting effect on many who might otherwise be tempted to go along with them. (R Paris 6954, 9 May 52)

Comment: This is the second reported instance in which the French have invoked the Anti-Communist Press Bill of March 1952, which deprives directors of Communist press organs of parliamentary immunity. It is anticipated that an increasing number of such suits will be brought against the Communist press, thereby aggravating its present financial embarrassment.

20. High Commissioner Donnelly urges propaganda counterattack in Austria: After failing to secure the agreement of Soviet authorities in Vienna "to call a truce" in their intensified anti-American propaganda campaign, US High Commissioner Donnelly proposes that the United States retaliate with a "gloves-off" counterattack. Donnelly suggests that all information media at American disposal, such Austrian newspapers as will cooperate, and various "front" organizations be utilized to expose Soviet activities both in Austria and elsewhere. When informed of American intentions, Austrian Minister of Interior Helmer was reportedly surprised that such countermeasures have not previously been taken. (S Vienna 3550, 9 May 52)

Comment: The volume of Communist propaganda from indigenous, Soviet, and international Communist-front sources to which the Austrians have recently been exposed has reached unprecedented proportions. There is little indication, however, that the Austrian people, who are sophisticated in such matters, have been much impressed by this virulent barrage, even as it refers to East-West trade in which they are vitally concerned. Probably more harmful to US interests has been the recent and more effective Communist propaganda "exposing" the "cost" to Austria of the Marshall Plan.

21. Magnani-Cucchi group introduces new factor in Rome elections: Besides the Christian Democrat, the neo-fascist, and the Communist electoral blocs in Rome, there is now to be a fourth list headed by Magnani and Cucchi, who quit the Italian Communist Party over a year ago in protest against Soviet domi-

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nation and formed the Italian Worker's Movement (MLI). This group hopes to attract support from dissident elements of the Democratic Socialist, Liberal and Republican Parties.

The MLI's membership has remained static for some months and has attracted no important personages from pro-Communist parties. [REDACTED] 25X1A

Comment: The Magnani-Cucchi group may well draw support from dissident elements in the Democratic Socialist and Republican Parties, both of whom, although officially linked in an electoral bloc with the Christian Democrats in Rome, are internally divided on this issue. A high-ranking Social Democrat, Andreoni, has already left his party and joined Magnani and Cucchi in leading the MLI list. The Liberals (conservative), however, who are expected to show increased strength in these South Italian elections, are extremely unlikely to quit the Christian Democratic bloc in favor of the MLI.

Although the new Magnani-Cucchi list will damage mainly the Christian Democratic bloc, it may also draw support from a few dissident Communists.

22. Netherlands will not present obstacles to signing of Defense Community treaty: Foreign Minister Stikker of the Netherlands believes that the cabinet, which meets 16 May to discuss the European Defense Community treaty, probably will agree to sign the treaty even though the problem of the German financial contribution is not solved. The cabinet, however, is likely to take the position that a satisfactory settlement must be reached before the treaty can be ratified by the Parliament.

Because the Netherlands is reluctant to commit itself for a fifty-year membership in the Defense Community, Stikker is considering proposing as a prerequisite of signature that it have the right to withdraw from the Community should the British defense guarantee be discontinued. (S The Hague 1188, 9 May 52)

23. British Government seen strengthened by Cabinet reshuffle: The American Embassy in London considers that Prime Minister Churchill's first cabinet reorganization should strengthen the government. Harry Crookshank, in his new sinecure post of Lord Privy Seal, will be able to devote full time to leadership of the House of Commons where the government's heavy program is running behind schedule. Iain MacLeod, who replaces Crookshank

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as Minister of Health, is an expert on the health service, an able debater, and a close colleague of Chancellor of the Exchequer Butler.

Although the new Minister of Transport, Lennox-Boyd, is inexperienced in the transport field, his appointment is expected to aid the program for denationalizing the trucking industry. Henry Hopkinson, who succeeds the able Lennox-Boyd in the increasingly important post of Minister of State for Colonial Affairs, is a close friend of Foreign Secretary Eden, but has had little experience in foreign affairs.

The Embassy comments that Lennox-Boyd will be missed at the Colonial Office, stating that Colonial Secretary Lyttleton does not like his job and has let Lennox-Boyd carry a large part of the work of the office. (C London 5078, 8 May 52)

Comment: Churchill has made a significant gesture of recognition to the back bench Conservatives in his new appointments. MacLeod and Hopkinson are members of the young, more progressive Conservative group which has considered itself inadequately represented in the government.

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EASTERN EUROPE

1. Political feasibility of joint Yugoslav-Greek-Turkish staff talks affirmed: The American Charge in Belgrade comments that continued cohesion in the Yugoslav Communist Politburo indicates the ability of the Tito regime to cope effectively with any party opposition should it decide to join in military staff talks with Greece and Turkey.

Nonetheless, a high Yugoslav official has indicated Yugoslav unwillingness to enter into military commitments with non-Communist neighbors at this time, according to the American Charge. One of the reasons for this hesitation is attributed to the undefined status of Greece and Turkey within the NATO command structure, and Yugoslav fears that Italy may exploit its NATO membership for political purposes. (TS S/S Belgrade 1400, 8 May 52)

Comment: The Yugoslav regime has been preparing public opinion for closer relations with both Greece and Turkey and has indicated its interest in military staff talks with these countries. However, because of internal political considerations, Yugoslavia made it clear that the initiative for staff talks had to come from Athens and Ankara. This condition was partially met when the Greek Chief of Staff recently requested the Yugoslav Military Attaché in Athens to inform Belgrade of Greece's desire for immediate staff talks.

WESTERN EUROPE

2. Postponement of EDC Foreign Ministers' meeting is indicated: The Italian delegation at the European Defense Community conference would not agree with the other delegates to schedule the final Foreign Ministers' meeting for 19 May, because Prime Min-

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ister de Gasperi must be in Italy for the electoral campaign between 18 and 27 May. The Belgian delegation ruled out a meeting on 28 May because it was the "anniversary of the capitulation of the Belgian forces." The Germans are "very upset" about the prospect of not meeting until 29 May.

The American representatives pointed out that if the EDC treaty and the Allied-German contractual agreement are not signed well before 1 June, there will be a serious problem about obtaining the necessary congressional action this year. (S, S/S Paris 6885, 8 May 52)

Comment: The fact that most of the delegates wanted the meeting on the 19th is the first clear indication that, barring some unforeseen development, the contractual agreement and the EDC treaty--which must be handled together--will not be signed by 20 May. When the Foreign Ministers meet, they will need several additional days to reach final agreement on unresolved provisions of the EDC treaty before the signing can occur.

3. Germany and Switzerland reach agreement on wartime trading debt: Germany and Switzerland have come to a tentative agreement over Swiss claims for the one-billion-franc wartime trading debt owed by Germany. The Swiss will now accept 500 million francs. Of this amount, 121.5 million francs will be paid in four yearly installments, 278.5 million in 30 equal annual installments, and the remaining 100 million will be made available by the Swiss as a loan to the German railways. The United States, Britain, and France feel that this is the most satisfactory arrangement possible. (C, S/S Bern 1390, 6 May 52)

Comment: The bilateral solution of this debt represents a significant concession by the Allies to Switzerland, which has been most unreasonable, even threatening to leave the OEEC and the EPU if its claims were not considered. This agreement will not go into effect until the German debt conference is concluded in London and agreement reached on the Washington accord.

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